

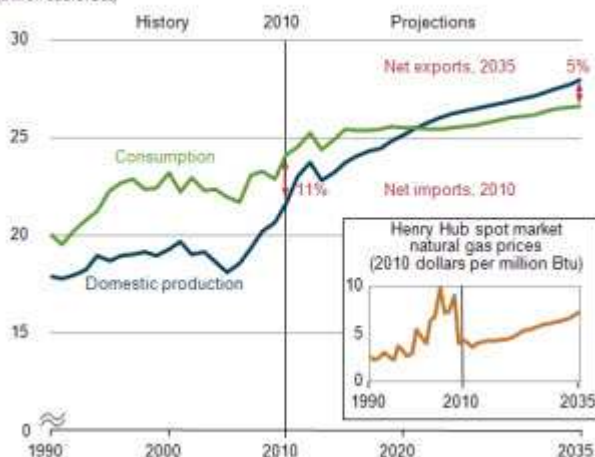
July 9, 2012

Natural Gas Trends**Highlights****EIA: U.S. EXPECTED TO BE A NET EXPORTER OF NATURAL GAS WITHIN A DECADE**

The U.S. Energy Information Administration (EIA) recently released its *Annual Energy Outlook 2012*. EIA projects through 2035 that continued modest growth in demand for energy and continued increases in natural gas and crude oil production will lead to:

- A decrease in U.S. reliance on imported oil;
- An increase in the level of U.S. electric power generated from **natural gas** and renewables;
- A flattening of energy-related carbon dioxide emissions at 2005 levels; and
- The U.S. becoming a **net exporter of natural gas**, if domestic natural gas production exceeds domestic consumption within about ten years, as projected by the EIA and shown on the agency's chart, below:

Figure 4. Total U.S. natural gas production, consumption, and net imports, 1990-2035
(trillion cubic feet)



A copy of the EIA's *Annual Energy Outlook 2012* can be downloaded at:

<http://www.eia.gov/forecasts/aeo/>

Data

- August Natural Gas Futures Contract (as of Jul 6), NYMEX at Henry Hub closed at \$2.776 per million British thermal units (MMBtu)
- August Light, Sweet Crude Oil Futures Contract (as of Jul 6), NYMEX at Cushing closed at \$84.45 per U.S. oil barrel (Bbl.) or approximately \$13.45 per MMBtu

Last week: Texas, U.S. CDD higher than normal

For the week beginning 7/1/12 and ending 7/7/12, cooling degree days (CDD) were higher than normal for Texas and the U.S. For the cooling season (1/1/12 to 12/31/12), cumulative cooling degree days were 29% above normal for Texas and 33% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 7/7/2012	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	124	35	848	75%
Austin	136	3	1411	19%
DFW	155	22	1428	48%
El Paso	118	-8	1337	38%
Houston	129	3	1657	40%
SAT	152	19	1610	30%
Texas**	132	9	1382	29%
U.S.**	102	34	590	33%

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDD are calculated. ** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 3,102 Bcf

For the week ending 6/29/12, U.S. working gas in storage rose from 3,063 to 3,102 Bcf, compared to 2,500 Bcf in storage a year ago and compared to an average of 2,529 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) declined from 1,130 to 1,119 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/29/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,512	1,477	35	+ 21.5%
West	471	456	15	+ 23.3%
Producing	1,119	1,130	-11	+ 23.9%
Lower 48 Total	3,102	3,063	39	+ 22.7%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count up 8

The gas rig count for the U.S. was up 8 when compared to the prior week and down 331 when compared to 12 months ago. The total rig count for the U.S. was up 6 for the week, and up 78 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

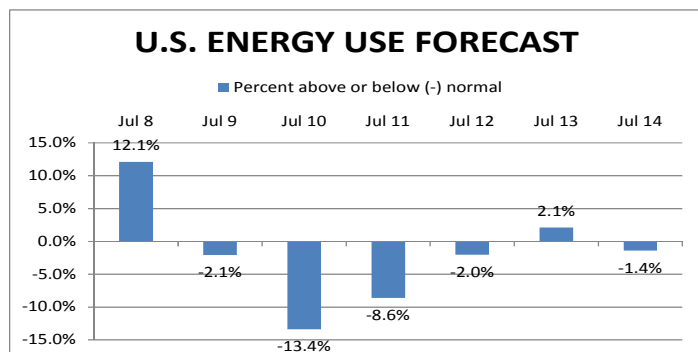
BAKER HUGHES ROTARY RIG COUNT				
	As of 7/6/12	+/- prior week	Year ago	+/- year ago
Texas	927	-2	850	+77
U.S. gas	542	+8	873	-331
U.S. oil	1419	-2	1007	+412
U.S. total	1965	+6	1887	+78
Canada	264	+3	331	-67

Numbers are excerpted and not meant to be totaled

This week: U.S. energy use seesaws

U.S. energy use is forecasted to seesaw from higher than normal to lower than normal, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

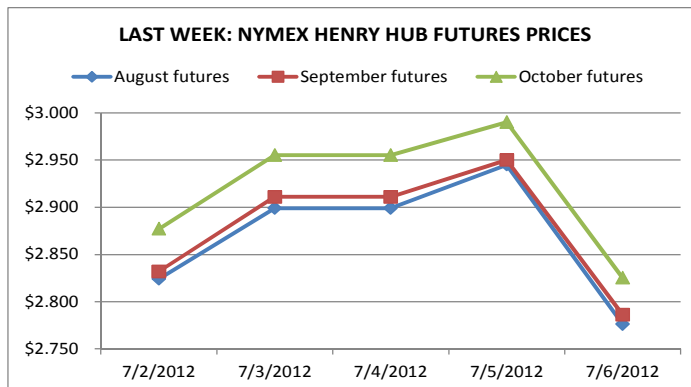
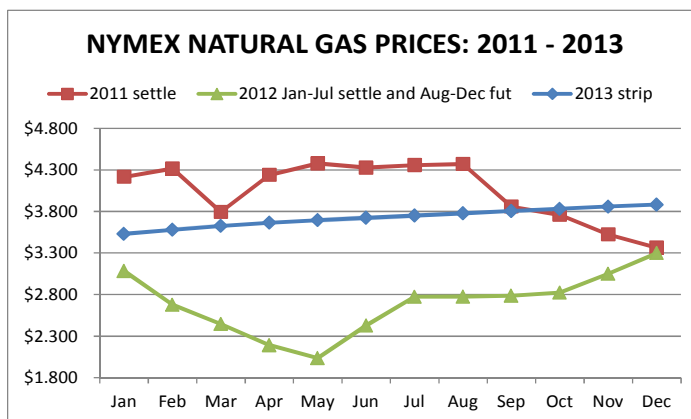


NATURAL GAS PRICE SUMMARY AS OF 7/6/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US August futures				
NYMEX	\$2.776	-\$0.048	-\$1.594	\$3.239

FERC announcement. The Federal Energy Regulatory Commission recently announced that it will hold a regional technical conference on coordination between natural gas and electric markets on **August 6, 2012 in St. Louis, Missouri**. For more information, visit: <http://www.ferc.gov/media/news-releases/2012/2012-2/07-05-12.asp>

Strip prices. Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.



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